

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1851**

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**Introduced by Assembly Members Gray and Ting**

February 10, 2016

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An act to amend Section ~~44274~~ of 44258.4 of, and to add Chapter 8.1 (commencing with Section 44257.1) and Chapter 8.8 (commencing with Section 44269) to Part 5 of Division 26 of, the Health and Safety Code, to amend Sections 6011 and 6012 of the Revenue and Taxation Code, and to amend Section 5205.5 of the Vehicle Code, relating to vehicular air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 1851, as amended, Gray. ~~Air Quality Improvement Program.~~  
*Vehicular air pollution: reduction incentives.*

*(1) Existing law establishes the Air Quality Improvement Program that is administered by the State Air Resources Board for the purposes of funding projects related to, among other things, reduction of criteria air pollutants and improvement of air quality. Pursuant to the Air Quality Improvement Program, the state board has established the Clean Vehicle Rebate Project to promote the production and use of zero-emission vehicles and the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project to provide vouchers to help California fleets to purchase hybrid and zero-emission trucks and buses.*

*The Charge Ahead California Initiative, administered by the state board, includes goals of, among other things, placing in service at least 1,000,000 zero-emission and near-zero-emission vehicles by January 1, 2023, and increasing access for disadvantaged, low-income, and*

*moderate-income communities and consumers to zero-emission and near-zero-emission vehicles.*

*The California Global Warming Solutions Act of 2006 establishes the state board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation by the Legislature.*

*This bill, as part of the Clean Vehicle Rebate Project, would require the state board to provide specified rebate amounts for battery electric vehicles, fuel-cell vehicles, and plug-in hybrid electric vehicles; to limit rebates to vehicles with a manufacturer's suggested retail price of \$60,000 or less; and to implement a process to allow eligible applicants to obtain prompt preapproval from the state board prior to purchasing an eligible vehicle, as specified. The bill would authorize moneys from the Greenhouse Gas Reduction Fund to be available, upon appropriation, for allocation under those provisions and would authorize moneys available for allocation to disadvantaged communities to be available, upon appropriation, for specified allocations.*

*This bill also would require the state board to issue specified rebates for the installation of an electric vehicle charging station to a property owner or lessee, as specified. The bill would authorize moneys from the Greenhouse Gas Reduction Fund to be available, upon appropriation, for allocation for those rebates.*

*(2) Existing sales and use tax laws impose taxes on retailers measured by gross receipts from the sale of tangible personal property sold at retail in this state or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, measured by sales price. The Sales and Use Tax Law defines the terms "gross receipts" and "sales price."*

*This bill would exclude from the terms "gross receipts" and "sales price" for these purposes the value of a motor vehicle traded in for a qualified motor vehicle, as defined, if the value of the trade-in motor vehicle is separately stated on the motor vehicle invoice or bill of sale or similar document provided by the purchaser. The bill would authorize moneys from the Greenhouse Gas Reduction Fund to be available, upon*

appropriation, for allocation to reimburse counties and cities for any revenue losses caused by those sales and use tax exemptions.

(3) Existing federal law, until September 30, 2017, authorizes a state to allow specified labeled vehicles to use lanes designated for high-occupancy vehicles (HOVs). Existing law authorizes the Department of Transportation to designate certain lanes for the exclusive use of HOVs. Under existing law, until January 1, 2019, until federal authorization expires, or until the Secretary of State receives a specified notice, those lanes may be used by certain vehicles not carrying the requisite number of passengers otherwise required for the use of an HOV lane if the vehicle displays a valid identifier issued by the Department of Motor Vehicles (DMV). Existing law authorizes the DMV to issue no more than 85,000 of those identifiers.

This bill would no longer limit the amount of identifiers issued by the DMV.

Existing law establishes the Air Quality Improvement Program that is administered by the State Air Resources Board for the purposes of funding projects related to, among other things, reduction of criteria air pollutants and improvement of air quality. Existing law requires, until January 1, 2024, that a portion of the registration fees for motor vehicles and vessels be deposited into the Air Quality Improvement Fund and, upon appropriation, be expended for the implementation of the program.

This bill would make technical, nonsubstantive changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. The Legislature finds and declares all of the
- 2     following:
- 3     (a) California is at the forefront of battling climate change, and
- 4     a main pillar of the state's climate strategy is reducing greenhouse
- 5     gas emissions to 1990 levels.
- 6     (b) To help achieve this greenhouse gas emissions goal, the
- 7     State Air Resources Board has required large vehicle
- 8     manufacturers to produce a certain amount of zero-emission
- 9     vehicles as a percentage of the overall number of vehicles the
- 10    manufacturer makes for sale in the state. The present mandate is
- 11    15.4 percent of new vehicles delivered for sale by 2025.

1     (c) To reinforce this mandate, Governor Jerry Brown issued  
2     Executive Order B-16-2012, which set a long-term target of  
3     1,500,000 zero-emission vehicles on the road by 2025, with the  
4     hope and expectation that the market for these vehicles will become  
5     mainstream and self-sustaining for individuals, businesses, and  
6     public fleets.

7     (d) The widespread adoption and purchase of zero-emission  
8     vehicles can help the environment and further the state's goals by  
9     mitigating emissions and easing air pollution.

10    (e) To be effective in cutting emissions and cleaning up air  
11    pollution, zero-emission and partial-zero-emission vehicles must  
12    attract consumers who would otherwise choose a traditional  
13    gasoline-fueled car.

14    (f) The current market for zero-emission vehicles has excessive  
15    barriers, including the high relative purchase price associated  
16    with zero-emission vehicles, limited range capability, inadequate  
17    charging infrastructure, resale value, length of commute, and  
18    existing low gas prices.

19    (g) In 2015, California's new car dealers sold over 2,000,000  
20    new vehicles with a combined 3.1 percent of those sales comprising  
21    zero-emission vehicles and partial-zero-emission vehicles. That  
22    represents a drop in market share for these vehicles, which was  
23    3.2 percent in 2014.

24    (h) Using last year's 2,000,000 new vehicle sales as an estimate  
25    of 2025 vehicle sales by covered manufacturers, the 15.4 percent  
26    mandate by the State Air Resources Board would require 308,000  
27    zero-emission vehicles and partial-zero-emission vehicles be  
28    delivered for sale in the state that year. If the current 41.5 percent  
29    of new vehicle sales will continue to be made up of sport utility  
30    vehicles, pickups, and vans, over 25 percent of the remaining  
31    1,201,000 passenger vehicles delivered for sale just nine years  
32    from now must be electric or plug-in electric vehicles.

33    (i) California has long focused on increasing disadvantaged  
34    communities' access to environmentally-friendly technologies and  
35    green transportation options to benefit the health of residents and  
36    to enhance air quality.

37    (j) Compared to gasoline-fueled vehicles, alternative-fueled  
38    vehicles reduce the country's dependence on foreign oil and  
39    substantially lower consumers' fuel costs.

1     (k) Automakers and new car dealers face numerous inherent  
2 market challenges when introducing and retailing the  
3 alternative-fueled vehicles required by the State Air Resources  
4 Board's vehicle mandates, including complex incentives, uncertain  
5 policy support, purchase price disparity, lengthy sales transactions,  
6 low gasoline prices, poor after-sale electric vehicle infrastructure,  
7 and sophisticated, constantly-changing technology.

8     (l) Incentives, such as rebates, tax credits, and high occupancy  
9 vehicle lane access for zero- and partial-emission vehicles, are  
10 crucial for continuing consumer interest in these vehicles, but  
11 greater investments are needed to significantly affect consumer  
12 buying behavior and the overall alternative-fueled vehicle  
13 marketplace, especially when it comes to economically  
14 disadvantaged communities.

15     (m) Increased incentives have been deployed with great success  
16 in other countries and have resulted in a large-scale consumer  
17 migration from traditional gas-fueled vehicles to cleaner modes  
18 of transportation.

19     (n) Accordingly, it is the intent of the Legislature in enacting  
20 this act to provide more realistic incentives that will move customer  
21 demand of zero-emission vehicles and achieve the adoption of  
22 alternative-fueled vehicles to meet the state's greenhouse gas  
23 emissions goals.

24     SEC. 2. Chapter 8.1 (commencing with Section 44257.1) is  
25 added to Part 5 of Division 26 of the Health and Safety Code, to  
26 read:

27  
28             CHAPTER 8.1. ZERO-EMISSION VEHICLE INCENTIVES  
29

30     44257.1. For purposes of this chapter, the following terms  
31 have the following meanings:

32     (a) "Battery electric vehicle" means a vehicle that meets the  
33 state's super ultra-low emission vehicle standard for exhaust  
34 emissions and the federal inherently low-emission vehicle  
35 evaporative emission standard, as defined in Part 88 (commencing  
36 with Section 88.101-94) of Title 40 of the Code of Federal  
37 Regulations, as that part read on January 1, 2016, and is powered  
38 entirely by an electric motor drawing current from rechargeable  
39 storage batteries.

1 (b) “Clean Vehicle Rebate Project” has the same meaning as  
2 established pursuant to Section 44274.

3 (c) “Disadvantaged community” means a community identified  
4 pursuant to Section 39711.

5 (d) “Fuel-cell vehicle” means a vehicle that meets the state’s  
6 super ultra-low emission vehicle standard for exhaust emissions  
7 and the federal inherently low-emission vehicle evaporative  
8 emission standard, as defined in Part 88 (commencing with Section  
9 88.101-94) of Title 40 of the Code of Federal Regulations, as that  
10 part read on January 1, 2016, and is powered by an electric motor  
11 drawing current from compressed hydrogen into a fuel cell.

12 (e) “New motor vehicle dealer” has the same meaning as in  
13 Section 426 of the Vehicle Code.

14 (f) “Plug-in hybrid electric vehicle” means a vehicle that meets  
15 the state’s enhanced advanced technology partial zero-emission  
16 vehicle standard or transitional zero-emission vehicle standard.

17 44257.3. (a) Beginning January 1, 2017, as part of the Clean  
18 Vehicle Rebate Project, the state board shall provide the following  
19 incentive amounts:

20 (1) For a vehicle qualified as a plug-in hybrid electric vehicle,  
21 an amount equal to 10 percent of the manufacturer’s suggested  
22 retail price.

23 (2) For a vehicle qualified as a battery electric vehicle, an  
24 amount equal to 15 percent of the manufacturer’s suggested retail  
25 price.

26 (3) For a vehicle qualified as a fuel-cell vehicle, an amount  
27 equal to 25 percent of the manufacturer’s suggested retail price.

28 (b) Notwithstanding subdivision (a), beginning January 1, 2017,  
29 as part of the Clean Vehicle Rebate Project, the state board shall  
30 provide for residents of a disadvantaged community the following  
31 incentive amounts:

32 (1) For a vehicle qualified as a plug-in hybrid electric vehicle,  
33 an amount equal to 40 percent of the manufacturer’s suggested  
34 retail price.

35 (2) For a vehicle qualified as a battery electric vehicle, an  
36 amount equal to 45 percent of the manufacturer’s suggested retail  
37 price.

38 (3) For a vehicle qualified as a fuel-cell vehicle, an amount  
39 equal to 55 percent of the manufacturer’s suggested retail price.

1     (c) (1) Moneys from the Greenhouse Gas Reduction Fund,  
2     created pursuant to Section 16428.8 of the Government Code,  
3     shall be available, upon appropriation by the Legislature, for  
4     allocation pursuant to subdivision (a).

5     (2) Moneys available for allocation to disadvantaged  
6     communities shall be available, upon appropriation by the  
7     Legislature, for allocation pursuant to subdivision (b).

8     44257.5. In addition to the current criteria and other  
9     requirements for the Clean Vehicle Rebate Project, beginning  
10    January 1, 2017, the state board shall limit eligible vehicles to  
11    those vehicles with a manufacturer's suggested retail price of sixty  
12    thousand dollars (\$60,000) or less.

13    44257.7. (a) (1) The state board shall implement a process  
14    to allow eligible applicants under the Clean Vehicle Rebate Project  
15    to obtain prompt preapproval from the state board prior to  
16    purchasing or leasing a vehicle. The process shall provide the  
17    applicant a unique identifiable number, which the applicant can  
18    present to a new motor vehicle dealer, and shall enable the unique  
19    identifiable number to be verified by a new motor vehicle dealer  
20    at the time of purchase or lease.

21    (2) The state board shall implement a process to allow a new  
22    motor vehicle dealer to be refunded any Clean Vehicle Rebate  
23    Project incentive amount applied to the applicant's conditional  
24    sales contract or other vehicle purchase or lease agreement in no  
25    fewer than seven days.

26    (b) Upon the implementation of subdivision (a), a new motor  
27    vehicle dealer may apply the Clean Vehicle Rebate Project  
28    incentive amount to the applicant's conditional sales contract or  
29    other vehicle purchase or lease agreement as a downpayment or  
30    amount due at lease signing or delivery.

31    (c) The state board shall suspend the preapproval process  
32    described in paragraph (1) of subdivision (a) if inadequate funding  
33    is available to award incentives under the Clean Vehicle Rebate  
34    Project. If the state board suspends the preapproval process, it  
35    shall provide dealers and consumers no less than 30 days' advance  
36    notice.

37    44257.9. The state board shall adopt regulations implementing  
38    this chapter.

39    SEC. 3. Section 44258.4 of the Health and Safety Code is  
40    amended to read:

1 44258.4. (a) Any moneys utilized ~~by this act pursuant to this~~  
2 ~~chapter~~ from the Greenhouse Gas Reduction Fund, ~~established~~  
3 ~~created~~ pursuant to Section 16428.8 of the Government Code,  
4 shall be consistent with the appropriations processes and criteria  
5 established by the Greenhouse Gas Reduction Fund Investment  
6 Plan and Communities Revitalization Act (Chapter 4.1  
7 (commencing with Section 39710) of Part 2).

8 (b) The Charge Ahead California Initiative is hereby established  
9 and shall be administered by the state board. The goals of this  
10 initiative are to place in service at least 1,000,000 zero-emission  
11 and near-zero-emission vehicles by January 1, 2023, to establish  
12 a self-sustaining California market for zero-emission and  
13 near-zero-emission vehicles in which zero-emission and  
14 near-zero-emission vehicles are a viable mainstream option for  
15 individual vehicle purchasers, businesses, and public fleets, to  
16 increase access for disadvantaged, low-income, and  
17 moderate-income communities and consumers to zero-emission  
18 and near-zero-emission vehicles, and to increase the placement of  
19 those vehicles in those communities and with those consumers to  
20 enhance the air quality, lower greenhouse gases, and promote  
21 overall benefits for those communities and consumers.

22 (c) The state board, in consultation with the State Energy  
23 Resources Conservation and Development Commission, districts,  
24 and the public, shall do all of the following:

25 (1) (A) Include, commencing with *the funding plan for the*  
26 *2016–17 fiscal year of the Air Quality Improvement Program*  
27 ~~funding plan for the 2016–17 fiscal year, (Article 3 (commencing~~  
28 ~~with Section 44274) of Chapter 8.9),~~ a funding plan that includes  
29 the immediate fiscal year and a forecast of estimated funding needs  
30 for the subsequent two fiscal years commensurate with meeting  
31 the goals of this chapter. Funding needs may be described as a  
32 range that identifies the projected high and low funding levels  
33 needed for the two-year forecast period to contribute to technology  
34 advancement, market readiness, and consumer acceptance of zero-  
35 and near-zero-emission vehicle technologies. The funding plan  
36 shall include a market and technology assessment for each funded  
37 zero- and near-zero-emission vehicle technology to inform the  
38 appropriate funding level, incentive type, and incentive amount.  
39 The forecast shall include an assessment of when a self-sustaining



1 market is expected and how existing incentives may be modified  
2 to recognize expected changes in future market conditions.

3 (B) Projects included in the forecast may include, but are not  
4 limited to, any of the following:

5 (i) The Clean Vehicle Rebate Project, established pursuant to  
6 Section 44274.

7 (ii) Light-duty zero-emission and near-zero-emission vehicle  
8 deployment projects eligible under the Alternative and Renewable  
9 Fuel and Vehicle Technology Program, established pursuant to  
10 Article 2 (commencing with Section 44272) of Chapter 8.9.

11 (iii) Programs adopted pursuant to paragraph (4).

12 (2) Update the plan required pursuant to paragraph (1) at least  
13 every three years through January 1, 2023.

14 ~~(3) No later than June 30, 2015, adopt revisions to the criteria~~  
15 ~~and other requirements for the Clean Vehicle Rebate Project,~~  
16 ~~established pursuant to Section 44274, to ensure the following:~~

17 ~~(A) Rebate levels can be phased down in increments based on~~  
18 ~~cumulative sales levels as determined by the state board.~~

19 ~~(B) Eligibility is limited based on income.~~

20 ~~(C) Consideration of the conversion to prequalification and~~  
21 ~~point-of-sale rebates or other methods to increase participation~~  
22 ~~rates.~~

23 ~~(4)~~

24 (3) (A) Establish programs that further increase access to and  
25 direct benefits for disadvantaged, low-income, and  
26 moderate-income communities and consumers from electric  
27 transportation, including, but not limited to, any of the following:

28 (i) Financing mechanisms, including, but not limited to, a loan  
29 or loan-loss reserve credit enhancement program to increase  
30 consumer access to zero-emission and near-zero-emission vehicle  
31 financing and leasing options that can help lower expenditures on  
32 transportation and prequalification or point-of-sale rebates or other  
33 methods to increase participation rates among low- and  
34 moderate-income consumers.

35 (ii) Car sharing programs that serve disadvantaged communities  
36 and utilize zero-emission and near-zero-emission vehicles.

37 (iii) Deployment of charging infrastructure in multiunit  
38 dwellings in disadvantaged communities to remove barriers to  
39 zero-emission and near-zero-emission vehicle adoption by those  
40 who do not live in detached homes. This clause does not preclude

1 the Public Utilities Commission from acting within the scope of  
2 its jurisdiction.

3 (iv) Additional incentives for zero-emission, near-zero-emission,  
4 or high-efficiency replacement vehicles or a mobility option  
5 available to participants in the enhanced fleet modernization  
6 program, established pursuant to Article 11 (commencing with  
7 Section 44125) of Chapter 5.

8 (B) Programs implemented pursuant to this paragraph shall  
9 provide adequate outreach to disadvantaged, low-income, and  
10 moderate-income communities and consumers, including partnering  
11 with community-based organizations.

12 *SEC. 4. Chapter 8.8 (commencing with Section 44269) is added*  
13 *to Part 5 of Division 26 of the Health and Safety Code, to read:*

14  
15 *CHAPTER 8.8. ELECTRIC VEHICLE CHARGING STATION REBATES*

16  
17 *44269. (a) The state board shall issue a rebate for the*  
18 *installation of an electric vehicle charging station to a property*  
19 *owner or lessee in the following amounts:*

20 *(1) Two thousand dollars (\$2,000) for the first year of*  
21 *installation.*

22 *(2) One thousand five hundred dollars (\$1,500) following the*  
23 *first year of installation.*

24 *(3) One thousand dollars (\$1,000) following the second year*  
25 *of installation.*

26 *(b) The property owner or lessee shall first place the electric*  
27 *vehicle charging station in service during the calendar year for*  
28 *which the rebate is claimed.*

29 *(c) The property owner or lessee shall maintain the electric*  
30 *vehicle charging station for a minimum period of 60 months. If*  
31 *the property owner or lessee does not maintain the electric vehicle*  
32 *charging station for a minimum period of 60 months, the state*  
33 *board shall seek reimbursement for the entire amount of the rebates*  
34 *previously issued pursuant to subdivision (a) from the property*  
35 *owner or lessee who had received those rebates.*

36 *(d) The property owner or lessee may not claim a rebate*  
37 *pursuant to subdivision (a) for the installation of an electric vehicle*  
38 *charging station if an existing electric vehicle charging station*  
39 *has been removed from the property within the preceding 12*  
40 *months.*

1     (e) (1) *The property owner or lessee may receive rebates for*  
2 *the installation of up to two electric vehicle charging stations for*  
3 *use on a residential property.*

4     (2) *The property owner or lessee may receive rebates for the*  
5 *installation of up to 10 electric vehicle charging stations for use*  
6 *on a commercial or multifamily property.*

7     (f) *The state board shall adopt regulations implementing this*  
8 *chapter.*

9     44269.5. *Moneys from the Greenhouse Gas Reduction Fund,*  
10 *created pursuant to Section 16428.8 of the Government Code,*  
11 *shall be available, upon appropriation by the Legislature, for*  
12 *allocation pursuant to this chapter.*

13     SEC. 5. *Section 6011 of the Revenue and Taxation Code is*  
14 *amended to read:*

15     6011. (a) “Sales price” means the total amount for which  
16 tangible personal property is sold or leased or rented, as the case  
17 may be, valued in money, whether paid in money or otherwise,  
18 without any deduction on account of any of the following:

19         (1) The cost of the property sold.

20         (2) The cost of materials used, labor or service cost, interest  
21 charged, losses, or any other expenses.

22         (3) The cost of transportation of the property, except as excluded  
23 by other provisions of this section.

24     (b) The total amount for which the property is sold or leased or  
25 rented includes all of the following:

26         (1) Any services that are a part of the sale.

27         (2) Any amount for which credit is given to the purchaser by  
28 the seller.

29         (3) The amount of any tax imposed by the United States upon  
30 producers and importers of gasoline and the amount of any tax  
31 imposed pursuant to Part 2 (commencing with Section 7301) of  
32 this division.

33     (c) “Sales price” does not include any of the following:

34         (1) Cash discounts allowed and taken on sales.

35         (2) The amount charged for property returned by customers  
36 when that entire amount is refunded either in cash or credit, but  
37 this exclusion shall not apply in any instance when the customer,  
38 in order to obtain the refund, is required to purchase other property  
39 at a price greater than the amount charged for the property that is  
40 returned. For the purpose of this section, refund or credit of the

1 entire amount shall be deemed to be given when the purchase price  
2 less rehandling and restocking costs are refunded or credited to  
3 the customer. The amount withheld for rehandling and restocking  
4 costs may be a percentage of the sales price determined by the  
5 average cost of rehandling and restocking returned merchandise  
6 during the previous accounting cycle.

7 (3) The amount charged for labor or services rendered in  
8 installing or applying the property sold.

9 (4) (A) The amount of any tax (not including, however, any  
10 manufacturers' or importers' excise tax, except as provided in  
11 subparagraph (B)) imposed by the United States upon or with  
12 respect to retail sales whether imposed upon the retailer or the  
13 consumer.

14 (B) The amount of manufacturers' or importers' excise tax  
15 imposed pursuant to Section 4081 or ~~4091~~ of the Internal Revenue  
16 Code for which the purchaser certifies that he or she is entitled to  
17 either a direct refund or credit against his or her income tax for  
18 the federal excise tax paid or for which the purchaser issues a  
19 certificate pursuant to Section 6245.5.

20 (5) The amount of any tax imposed by any city, county, city  
21 and county, or rapid transit district within the State of California  
22 upon or with respect to retail sales of tangible personal property,  
23 measured by a stated percentage of sales price or gross receipts,  
24 whether imposed upon the retailer or the consumer.

25 (6) The amount of any tax imposed by any city, county, city  
26 and county, or rapid transit district within the State of California  
27 with respect to the storage, use or other consumption in that city,  
28 county, city and county, or rapid transit district of tangible personal  
29 property measured by a stated percentage of sales price or purchase  
30 price, whether the tax is imposed upon the retailer or the consumer.

31 (7) Separately stated charges for transportation from the  
32 retailer's place of business or other point from which shipment is  
33 made directly to the purchaser, but the exclusion shall not exceed  
34 a reasonable charge for transportation by facilities of the retailer  
35 or the cost to the retailer of transportation by other than facilities  
36 of the retailer. However, if the transportation is by facilities of the  
37 retailer, or the property is sold for a delivered price, this exclusion  
38 shall be applicable solely with respect to transportation which  
39 occurs after the purchase of the property is made.

1 (8) Charges for transporting landfill from an excavation site to  
2 a site specified by the purchaser, either if the charge is separately  
3 stated and does not exceed a reasonable charge or if the entire  
4 consideration consists of payment for transportation.

5 (9) The amount of any motor vehicle, mobilehome, or  
6 commercial coach fee or tax imposed by and paid the State of  
7 California that has been added to or is measured by a stated  
8 percentage of the sales or purchase price of a motor vehicle,  
9 mobilehome, or commercial coach.

10 (10) (A) The amount charged for intangible personal property  
11 transferred with tangible personal property in any technology  
12 transfer agreement, if the technology transfer agreement separately  
13 states a reasonable price for the tangible personal property.

14 (B) If the technology transfer agreement does not separately  
15 state a price for the tangible personal property, and the tangible  
16 personal property or like tangible personal property has been  
17 previously sold or leased, or offered for sale or lease, to third  
18 parties at a separate price, the price at which the tangible personal  
19 property was sold, leased, or offered to third parties shall be used  
20 to establish the retail fair market value of the tangible personal  
21 property subject to tax. The remaining amount charged under the  
22 technology transfer agreement is for the intangible personal  
23 property transferred.

24 (C) If the technology transfer agreement does not separately  
25 state a price for the tangible personal property, and the tangible  
26 personal property or like tangible personal property has not been  
27 previously sold or leased, or offered for sale or lease, to third  
28 parties at a separate price, the retail fair market value shall be equal  
29 to 200 percent of the cost of materials and labor used to produce  
30 the tangible personal property subject to tax. The remaining amount  
31 charged under the technology transfer agreement is for the  
32 intangible personal property transferred.

33 (D) For purposes of this paragraph, “technology transfer  
34 agreement” means any agreement under which a person who holds  
35 a patent or copyright interest assigns or licenses to another person  
36 the right to make and sell a product or to use a process that is  
37 subject to the patent or copyright interest.

38 (11) The amount of any tax imposed upon diesel fuel pursuant  
39 to Part 31 (commencing with Section 60001).

1 (12) (A) The amount of tax imposed by any Indian tribe within  
2 the State of California with respect to a retail sale of tangible  
3 personal property measured by a stated percentage of the sales or  
4 purchase price, whether the tax is imposed upon the retailer or the  
5 consumer.

6 (B) The exclusion authorized by subparagraph (A) shall only  
7 apply to those retailers who are in substantial compliance with this  
8 part.

9 (13) (A) *The value of a motor vehicle traded in for a qualified*  
10 *motor vehicle if the value of the trade-in motor vehicle is separately*  
11 *stated on the qualified motor vehicle invoice or bill of sale or*  
12 *similar document provided to the purchaser.*

13 (B) *For purposes of this paragraph, “qualified motor vehicle”*  
14 *means a motor vehicle that meets either of the following:*

15 (i) *California’s super ultra-low emission vehicle standard for*  
16 *exhaust emissions and the federal inherently low-emission vehicle*  
17 *evaporative emission standard, as defined in Part 88 (commencing*  
18 *with Section 88.101-94) of Title 40 of the Code of Federal*  
19 *Regulations as that part read on January 1, 2016.*

20 (ii) *California’s enhanced advanced technology partial*  
21 *zero-emission vehicle standard or transitional zero-emission*  
22 *vehicle standard.*

23 (C) *Consistent with Section 2230, moneys from the Greenhouse*  
24 *Gas Reduction Fund, created pursuant to Section 16428.8 of the*  
25 *Government Code, shall be available, upon appropriation by the*  
26 *Legislature, for allocation to reimburse counties and cities for any*  
27 *revenue losses resulting from the application of this paragraph.*

28 SEC. 6. *Section 6012 of the Revenue and Taxation Code is*  
29 *amended to read:*

30 6012. (a) “Gross receipts” mean the total amount of the sale  
31 or lease or rental price, as the case may be, of the retail sales of  
32 retailers, valued in money, whether received in money or otherwise,  
33 without any deduction on account of any of the following:

34 (1) The cost of the property sold. However, in accordance with  
35 any rules and regulations as the board may prescribe, a deduction  
36 may be taken if the retailer has purchased property for some other  
37 purpose than resale, has reimbursed his or her vendor for tax which  
38 the vendor is required to pay to the state or has paid the use tax  
39 with respect to the property, and has resold the property prior to  
40 making any use of the property other than retention, demonstration,

1 or display while holding it for sale in the regular course of business.  
2 If that deduction is taken by the retailer, no refund or credit will  
3 be allowed to his or her vendor with respect to the sale of the  
4 property.

5 (2) The cost of the materials used, labor or service cost, interest  
6 paid, losses, or any other expense.

7 (3) The cost of transportation of the property, except as excluded  
8 by other provisions of this section.

9 (4) The amount of any tax imposed by the United States upon  
10 producers and importers of gasoline and the amount of any tax  
11 imposed pursuant to Part 2 (commencing with Section 7301) of  
12 this division.

13 (b) The total amount of the sale or lease or rental price includes  
14 all of the following:

15 (1) Any services that are a part of the sale.

16 (2) All receipts, cash, credits and property of any kind.

17 (3) Any amount for which credit is allowed by the seller to the  
18 purchaser.

19 (c) "Gross receipts" do not include any of the following:

20 (1) Cash discounts allowed and taken on sales.

21 (2) Sale price of property returned by customers when that entire  
22 amount is refunded either in cash or credit, but this exclusion shall  
23 not apply in any instance when the customer, in order to obtain  
24 the refund, is required to purchase other property at a price greater  
25 than the amount charged for the property that is returned. For the  
26 purpose of this section, refund or credit of the entire amount shall  
27 be deemed to be given when the purchase price less rehandling  
28 and restocking costs are refunded or credited to the customer. The  
29 amount withheld for rehandling and restocking costs may be a  
30 percentage of the sales price determined by the average cost of  
31 rehandling and restocking returned merchandise during the  
32 previous accounting cycle.

33 (3) The price received for labor or services used in installing or  
34 applying the property sold.

35 (4) (A) The amount of any tax (not including, however, any  
36 manufacturers' or importers' excise tax, except as provided in  
37 subparagraph (B)) imposed by the United States upon or with  
38 respect to retail sales whether imposed upon the retailer or the  
39 consumer.

1 (B) The amount of manufacturers' or importers' excise tax  
2 imposed pursuant to Section 4081 or 4091 of the Internal Revenue  
3 Code for which the purchaser certifies that he or she is entitled to  
4 either a direct refund or credit against his or her income tax for  
5 the federal excise tax paid or for which the purchaser issues a  
6 certificate pursuant to Section 6245.5.

7 (5) The amount of any tax imposed by any city, county, city  
8 and county, or rapid transit district within the State of California  
9 upon or with respect to retail sales of tangible personal property  
10 measured by a stated percentage of sales price or gross receipts  
11 whether imposed upon the retailer or the consumer.

12 (6) The amount of any tax imposed by any city, county, city  
13 and county, or rapid transit district within the State of California  
14 with respect to the storage, use or other consumption in that city,  
15 county, city and county, or rapid transit district of tangible personal  
16 property measured by a stated percentage of sales price or purchase  
17 price, whether the tax is imposed upon the retailer or the consumer.

18 (7) Separately stated charges for transportation from the  
19 retailer's place of business or other point from which shipment is  
20 made directly to the purchaser, but the exclusion shall not exceed  
21 a reasonable charge for transportation by facilities of the retailer  
22 or the cost to the retailer of transportation by other than facilities  
23 of the retailer. However, if the transportation is by facilities of the  
24 retailer, or the property is sold for a delivered price, this exclusion  
25 shall be applicable solely with respect to transportation which  
26 occurs after the sale of the property is made to the purchaser.

27 (8) Charges for transporting landfill from an excavation site to  
28 a site specified by the purchaser, either if the charge is separately  
29 stated and does not exceed a reasonable charge or if the entire  
30 consideration consists of payment for transportation.

31 (9) The amount of any motor vehicle, mobilehome, or  
32 commercial coach fee or tax imposed by and paid to the State of  
33 California that has been added to or is measured by a stated  
34 percentage of the sales or purchase price of a motor vehicle,  
35 mobilehome, or commercial coach.

36 (10) (A) The amount charged for intangible personal property  
37 transferred with tangible personal property in any technology  
38 transfer agreement, if the technology transfer agreement separately  
39 states a reasonable price for the tangible personal property.



1 (B) If the technology transfer agreement does not separately  
2 state a price for the tangible personal property, and the tangible  
3 personal property or like tangible personal property has been  
4 previously sold or leased, or offered for sale or lease, to third  
5 parties at a separate price, the price at which the tangible personal  
6 property was sold, leased, or offered to third parties shall be used  
7 to establish the retail fair market value of the tangible personal  
8 property subject to tax. The remaining amount charged under the  
9 technology transfer agreement is for the intangible personal  
10 property transferred.

11 (C) If the technology transfer agreement does not separately  
12 state a price for the tangible personal property, and the tangible  
13 personal property or like tangible personal property has not been  
14 previously sold or leased, or offered for sale or lease, to third  
15 parties at a separate price, the retail fair market value shall be equal  
16 to 200 percent of the cost of materials and labor used to produce  
17 the tangible personal property subject to tax. The remaining amount  
18 charged under the technology transfer agreement is for the  
19 intangible personal property transferred.

20 (D) For purposes of this paragraph, “technology transfer  
21 agreement” means any agreement under which a person who holds  
22 a patent or copyright interest assigns or licenses to another person  
23 the right to make and sell a product or to use a process that is  
24 subject to the patent or copyright interest.

25 (11) The amount of any tax imposed upon diesel fuel pursuant  
26 to Part 31 (commencing with Section 60001).

27 (12) (A) The amount of tax imposed by any Indian tribe within  
28 the State of California with respect to a retail sale of tangible  
29 personal property measured by a stated percentage of the sales or  
30 purchase price, whether the tax is imposed upon the retailer or the  
31 consumer.

32 (B) The exclusion authorized by subparagraph (A) shall only  
33 apply to those retailers who are in substantial compliance with this  
34 part.

35 For purposes of the sales tax, if the retailers establish to the  
36 satisfaction of the board that the sales tax has been added to the  
37 total amount of the sale price and has not been absorbed by them,  
38 the total amount of the sale price shall be deemed to be the amount  
39 received exclusive of the tax imposed. Section 1656.1 of the Civil

1 Code shall apply in determining whether or not the retailers have  
2 absorbed the sales tax.

3 *(13) (A) The value of a motor vehicle traded in for a qualified*  
4 *motor vehicle if the value of the trade-in motor vehicle is separately*  
5 *stated on the qualified motor vehicle invoice or bill of sale or*  
6 *similar document provided to the purchaser.*

7 *(B) For purposes of this paragraph, “qualified motor vehicle”*  
8 *means a motor vehicle that meets either of the following:*

9 *(i) California’s super ultra-low emission vehicle standard for*  
10 *exhaust emissions and the federal inherently low-emission vehicle*  
11 *evaporative emission standard, as defined in Part 88 (commencing*  
12 *with Section 88.101-94) of Title 40 of the Code of Federal*  
13 *Regulations as that part read on January 1, 2016.*

14 *(ii) California’s enhanced advanced technology partial*  
15 *zero-emission vehicle standard or transitional zero-emission*  
16 *vehicle standard.*

17 *(C) Consistent with Section 2230, moneys from the Greenhouse*  
18 *Gas Reduction Fund, created pursuant to Section 16428.8 of the*  
19 *Government Code, shall be available, upon appropriation by the*  
20 *Legislature, for allocation to reimburse counties and cities for any*  
21 *revenue losses resulting from the application of this paragraph.*

22 *SEC. 7. Section 5205.5 of the Vehicle Code is amended to read:*

23 *5205.5. (a) For the purposes of implementing Section 21655.9,*  
24 *the department shall make available for issuance, for a fee*  
25 *determined by the department to be sufficient to reimburse the*  
26 *department for the actual costs incurred pursuant to this section,*  
27 *distinctive decals, labels, and other identifiers that clearly*  
28 *distinguish the following vehicles from other vehicles:*

29 *(1) A vehicle that meets California’s super ultra-low emission*  
30 *vehicle (SULEV) standard for exhaust emissions and the federal*  
31 *inherently low-emission vehicle (ILEV) evaporative emission*  
32 *standard, as defined in Part 88 (commencing with Section*  
33 *88.101-94) of Title 40 of the Code of Federal Regulations.*

34 *(2) A vehicle that was produced during the 2004 model year or*  
35 *earlier and meets California’s ultra-low emission vehicle (ULEV)*  
36 *standard for exhaust emissions and the federal ILEV standard.*

37 *(3) A vehicle that meets California’s enhanced advanced*  
38 *technology partial zero-emission vehicle (enhanced AT PZEV)*  
39 *standard or transitional zero-emission vehicle (TZEV) standard.*

1 (b) The department shall include a summary of the provisions  
2 of this section on each motor vehicle registration renewal notice,  
3 or on a separate insert, if space is available and the summary can  
4 be included without incurring additional printing or postage costs.

5 (c) The Department of Transportation shall remove individual  
6 HOV lanes, or portions of those lanes, during periods of peak  
7 congestion from the access provisions provided in subdivision (a),  
8 following a finding by the Department of Transportation as follows:

9 (1) The lane, or portion thereof, exceeds a level of service C,  
10 as discussed in subdivision (b) of Section 65089 of the Government  
11 Code.

12 (2) The operation or projected operation of the vehicles  
13 described in subdivision (a) in these lanes, or portions thereof, will  
14 significantly increase congestion.

15 (3) The finding shall also demonstrate the infeasibility of  
16 alleviating the congestion by other means, including, but not  
17 limited to, reducing the use of the lane by noneligible vehicles or  
18 further increasing vehicle occupancy.

19 (d) The State Air Resources Board shall publish and maintain  
20 a listing of all vehicles eligible for participation in the programs  
21 described in this section. The board shall provide that listing to  
22 the department.

23 (e) (1) For *the* purposes of subdivision (a), the Department of  
24 the California Highway Patrol and the department, in consultation  
25 with the Department of Transportation, shall design and specify  
26 the placement of the decal, label, or other identifier on the vehicle.  
27 Each decal, label, or other identifier issued for a vehicle shall  
28 display a unique number, which shall be printed ~~on~~, *on* or affixed  
29 ~~to~~, *to* the vehicle registration.

30 (2) Decals, labels, or other identifiers designed pursuant to this  
31 subdivision for a vehicle described in paragraph (3) of subdivision  
32 (a) shall be distinguishable from the decals, labels, or other  
33 identifiers that are designed for vehicles described in paragraphs  
34 (1) and (2) of subdivision (a).

35 ~~(f) (1) Except as provided in paragraph (2), for purposes of~~  
36 ~~paragraph (3) of subdivision (a), the department shall issue no~~  
37 ~~more than 85,000 distinctive decals, labels, or other identifiers that~~  
38 ~~clearly distinguish a vehicle specified in paragraph (3) of~~  
39 ~~subdivision (a).~~

1     ~~(2) The department may issue a decal, label, or other identifier~~  
2     ~~for a vehicle that satisfies all of the following conditions:~~

3     ~~(A) The vehicle is of a type identified in paragraph (3) of~~  
4     ~~subdivision (a).~~

5     ~~(B) The owner of the vehicle is the owner of a vehicle for which~~  
6     ~~a decal, label, or other identifier described in paragraph (1) was~~  
7     ~~previously issued and that vehicle for which the decal, label, or~~  
8     ~~other identifier was previously issued is determined by the~~  
9     ~~department, on the basis of satisfactory proof submitted by the~~  
10    ~~owner to the department, to be a nonrepairable vehicle or a total~~  
11    ~~loss salvage vehicle.~~

12    ~~(C) The owner of the vehicle applied for a decal, label, or other~~  
13    ~~identifier pursuant to this paragraph within six months of the date~~  
14    ~~on which the vehicle for which a decal, label, or other identifier~~  
15    ~~was previously issued is declared to be a nonrepairable vehicle or~~  
16    ~~a total loss salvage vehicle.~~

17    ~~(f) [Reserved]~~

18    ~~(g) If the Metropolitan Transportation Commission, serving as~~  
19    ~~the Bay Area Toll Authority, grants toll-free and reduced-rate~~  
20    ~~passage on toll bridges under its jurisdiction to a vehicle pursuant~~  
21    ~~to Section 30102.5 of the Streets and Highways Code, it shall also~~  
22    ~~grant the same toll-free and reduced-rate passage to a vehicle~~  
23    ~~displaying an identifier issued by the department pursuant to~~  
24    ~~paragraph (1) or (2) of subdivision (a).~~

25    ~~(h) (1) Notwithstanding Section 21655.9, and except as~~  
26    ~~provided in paragraph (2), a vehicle described in subdivision (a)~~  
27    ~~that displays a decal, label, or identifier issued pursuant to this~~  
28    ~~section shall be granted a toll-free or reduced-rate passage in~~  
29    ~~high-occupancy toll lanes as described in Section 149.7 of the~~  
30    ~~Streets and Highways Code unless prohibited by federal law.~~

31    ~~(2) (A) Paragraph (1) does not apply to the imposition of a toll~~  
32    ~~imposed for passage on a toll road or toll-highway, highway that~~  
33    ~~is not a high-occupancy toll lane as described in Section 149.7 of~~  
34    ~~the Streets and Highways Code.~~

35    ~~(B) On or before March 1, 2014, paragraph (1) does not apply~~  
36    ~~to the imposition of a toll imposed for passage in lanes designated~~  
37    ~~for tolls pursuant to the federally supported value pricing and~~  
38    ~~transit development demonstration program operated pursuant to~~  
39    ~~Section 149.9 of the Streets and Highways Code for State Highway~~  
40    ~~Route 10 or 110.~~

1 (C) Paragraph (1) does not apply to the imposition of a toll  
2 charged for crossing a state-owned bridge.

3 (i) If the Director of Transportation determines that federal law  
4 does not authorize the state to allow vehicles that are identified by  
5 distinctive decals, labels, or other identifiers on vehicles described  
6 in subdivision (a) to use highway lanes or highway access ramps  
7 for high-occupancy vehicles regardless of vehicle occupancy, the  
8 Director of Transportation shall submit a notice of that  
9 determination to the Secretary of State.

10 (j) This section shall become inoperative on January 1, 2019,  
11 or the date the federal authorization pursuant to Section 166 of  
12 Title 23 of the United States Code expires, or the date the Secretary  
13 of State receives the notice described in subdivision (i), whichever  
14 occurs first, and, as of January 1, 2019, is repealed, unless a later  
15 enacted statute, that becomes operative on or before January 1,  
16 2019, deletes or extends the dates on which it becomes inoperative  
17 and is repealed.

18 ~~SECTION 1. Section 44274 of the Health and Safety Code is~~  
19 ~~amended to read:~~

20 ~~44274. (a) The Air Quality Improvement Program is hereby~~  
21 ~~created. The program shall be administered by the state board, in~~  
22 ~~consultation with the districts. The state board shall develop~~  
23 ~~guidelines to implement the program. Prior to the adoption of the~~  
24 ~~guidelines, the state board shall hold at least one public hearing.~~  
25 ~~In addition, the state board shall hold at least three public~~  
26 ~~workshops with at least one workshop in northern California, one~~  
27 ~~in the central valley, and one in southern California. The purpose~~  
28 ~~of the program shall be to fund, upon appropriation by the~~  
29 ~~Legislature, air quality improvement projects relating to fuel and~~  
30 ~~vehicle technologies. The primary purpose of the program shall~~  
31 ~~be to fund projects to reduce criteria air pollutants, improve air~~  
32 ~~quality, and provide funding for research to determine and improve~~  
33 ~~the air quality impacts of alternative transportation fuels and~~  
34 ~~vehicles, vessels, and equipment technologies.~~

35 ~~(b) The state board shall provide preference in awarding funding~~  
36 ~~to those projects with higher benefit-cost scores that maximize the~~  
37 ~~purposes and goals of the Air Quality Improvement Program. The~~  
38 ~~state board also may give additional preference based on the~~  
39 ~~following criteria, as applicable, in funding awards to projects:~~

- 1     ~~(1) Proposed or potential reduction of criteria or toxic air~~  
2     ~~pollutants.~~
- 3     ~~(2) Contribution to regional air quality improvement.~~
- 4     ~~(3) Ability to promote the use of clean alternative fuels and~~  
5     ~~vehicle technologies as determined by the state board, in~~  
6     ~~coordination with the commission.~~
- 7     ~~(4) Ability to achieve climate change benefits in addition to~~  
8     ~~criteria pollutant or air toxic emissions reductions.~~
- 9     ~~(5) Ability to support market transformation of California's~~  
10    ~~vehicle or equipment fleet to utilize low carbon or zero-emission~~  
11    ~~technologies.~~
- 12    ~~(6) Ability to leverage private capital investments.~~
- 13    ~~(e) The program shall be limited to competitive grants, revolving~~  
14    ~~loans, loan guarantees, loans, and other appropriate funding~~  
15    ~~measures that further the purposes of the program. Projects to be~~  
16    ~~funded shall include only the following:~~
- 17    ~~(1) Onroad and off-road equipment projects that are cost~~  
18    ~~effective.~~
- 19    ~~(2) Projects that provide mitigation for off-road gasoline exhaust~~  
20    ~~and evaporative emissions.~~
- 21    ~~(3) Projects that provide research to determine the air quality~~  
22    ~~impacts of alternative fuels and projects that study the life-cycle~~  
23    ~~impacts of alternative fuels and conventional fuels, the emissions~~  
24    ~~of biofuel and advanced reformulated gasoline blends, and air~~  
25    ~~pollution improvements and control technologies for use with~~  
26    ~~alternative fuels and vehicles.~~
- 27    ~~(4) Projects that augment the University of California's~~  
28    ~~agricultural experiment station and cooperative extension programs~~  
29    ~~for research to increase sustainable biofuels production and~~  
30    ~~improve the collection of biomass feedstock.~~
- 31    ~~(5) Incentives for small off-road equipment replacement to~~  
32    ~~encourage consumers to replace internal combustion engine lawn~~  
33    ~~and garden equipment.~~
- 34    ~~(6) Incentives for medium- and heavy-duty vehicles and~~  
35    ~~equipment mitigation, including all of the following:~~
- 36    ~~(A) Lower emission schoolbus programs.~~
- 37    ~~(B) Electric, hybrid, and plug-in hybrid onroad and off-road~~  
38    ~~medium- and heavy-duty equipment.~~

1     ~~(C) Regional air quality improvement and attainment programs~~  
2 ~~implemented by the state or districts in the most impacted regions~~  
3 ~~of the state.~~

4     ~~(7) Workforce training initiatives related to advanced energy~~  
5 ~~technology designed to reduce air pollution, including~~  
6 ~~state-of-the-art equipment and goods, and new processes and~~  
7 ~~systems. Workforce training initiatives funded shall be broad-based~~  
8 ~~partnerships that leverage other public and private job training~~  
9 ~~programs and resources. These partnerships may include, but are~~  
10 ~~not limited to, employers, labor unions, labor-management~~  
11 ~~partnerships, community organizations, workforce investment~~  
12 ~~boards, postsecondary education providers including community~~  
13 ~~colleges, and economic development agencies.~~

14     ~~(8) Incentives to identify and reduce emissions from~~  
15 ~~high-emitting light-duty vehicles.~~

16     ~~(d) (1) Beginning January 1, 2011, the state board shall submit~~  
17 ~~to the Legislature a biennial report to evaluate the implementation~~  
18 ~~of the Air Quality Improvement Program established pursuant to~~  
19 ~~this chapter.~~

20     ~~(2) The report shall include all of the following:~~

21     ~~(A) A list of projects funded by the Air Quality Improvement~~  
22 ~~Account.~~

23     ~~(B) The expected benefits of the projects in promoting clean,~~  
24 ~~alternative fuels and vehicle technologies.~~

25     ~~(C) The improvement in air quality and public health,~~  
26 ~~greenhouse gas emissions reductions, and the progress made toward~~  
27 ~~achieving these benefits.~~

28     ~~(D) The impact of the projects in making progress toward the~~  
29 ~~attainment of state and federal air quality standards.~~

30     ~~(E) Recommendations for future actions.~~

31     ~~(3) The state board may include the information required to be~~  
32 ~~reported pursuant to paragraph (1) in an existing report to the~~  
33 ~~Legislature as the state board deems appropriate.~~